

CITY COUNCIL, CITY OF LODI
CITY HALL COUNCIL CHAMBERS
SEPTEMBER 8, 1971

A regular adjourned meeting of the City Council of the City of Lodi was held beginning at 8:00 p.m. on Wednesday, September 8, 1971 in the City Hall Council Chambers

ROLL CALL

Present: Councilmen - EHRHARDT, HUGHES
KIRSTEN, SCHAFFER
and KATNICH (Mayor)

Absent: Councilmen - None

Also present: City Manager Graves, City
Attorney Mullen, Assistant City Manager
Peterson

SANITARY CITY
DISPOSAL COMPANY
ASSIGNMENT

Mayor Katnich announced that the purpose of this regular adjourned meeting was to discuss the purchase by Mr. Rudolph Vaccarezza, a partner in the Sanitary City Disposal Company, of the interests of his deceased partner, Mr. Alfred Barsotti. The Mayor introduced the following persons who were in the Council Chambers: Mr. Richard Johnson, attorney representing Mr. Vaccarezza; Mr. Robert Mertz, attorney representing the estate of Alfred Barsotti; and Mr. Clifton C. Hite, accountant for the Sanitary City Disposal Company.

City Manager Graves explained that the Disposal Company had sent a letter to the City of Lodi requesting the City's authorization of the sale of the Barsotti interest in the company to Mr. Vaccarezza. A copy of the company's current financial statement had previously been sent to the City Council. The City Manager said that Council guidelines in the past concerning the return the company was entitled to were: salaries to be paid to the partners equal to the salary that would be paid to a Public Works Department division head who would be in charge of such an operation were the City to provide this service; and a return of 12% on the depreciated assets of the company. He said the return has been in the 14-16% area during the past seven years.

Councilman Kirsten said he felt a return to the company of 12-15% of net worth would seem fair. He stated it was the Council's responsibility to determine a fair profit and fair salaries for the operators.

Attorney Robert Mertz, representing the Barsotti Estate, told the Council there were other assets involved in the proposed purchase, including a ranch which might be valued at approximately

Minutes of September 8, 1971 continued

\$100,000, as well as equity in insurance policies. He said both parties have agreed to the purchase price and that ability to pay was no problem.

Representing Mr. Vaccarezza, Attorney Richard Johnson also said the parties had agreed to the purchase price and that there was no question of Mr. Vaccarezza's ability to pay.

Councilman Kirsten said the citizens of the City shouldn't have to pay on investments not needed for adequate refuse service.

Councilman Kirsten said the company's rate schedule should be reviewed before the sales transaction is authorized because rates are a factor in the amount of profit realized. He questioned whether or not the company's profits were fair to the citizens of the City of Lodi.

Mayor Katnich questioned what would happen if the company realized a 20% profit instead of the 12% agreed to. The City Manager answered that the only time an adjustment is made is when the company asks for a rate increase. City Manager Graves went on to say that since 1953 the City has used 12% of depreciated assets as a fair return. He said it is very difficult to compare refuse rates from one agency to another because of the varying degrees of service performed. Councilman Kirsten pointed out that while the 12% figure has been used in rate setting, he thought 13% or 14% would be reasonable also.

In answer to questions from the Council, City Manager Graves said the current top of the division head salary schedule is \$13,524 per year. Councilman Kirsten suggested that since Mr. Vaccarezza had been performing extra work due to the absence of his partner as a result of illness, Mr. Vaccarezza should receive a salary at one and one-half times the division head rate or approximately \$20,000.

Councilman Hughes said he felt the Council was getting into an area that was not its concern. He said the Council should have as its primary concern the cost of the service to the user. The City Manager pointed out that if the City does not establish the basis for regulating profit, then the only alternative is to go to bid for the service. He said the City has been opposed to this because there is no way of evaluating the rates submitted in a bid.

Minutes of September 8, 1971 continued

Mayor Katnich suggested that the topic of rates could be discussed later; the primary concerns now were the percentage return on the investment and the salary paid to Mr. Vaccarezza. Councilman Kirsten said the Council must first arrive at a rate that is fair because rates affect profits. He then moved that Mr. Vaccarezza's services be compensated at one and one-half times that of a City division head who would direct this service and that this amount be \$20,000. The motion was seconded by Councilman Ehrhardt.

the difference
between assets and
liabilities.
(See Minutes of 10/6/71)
bb

After discussion, the motion was withdrawn. Councilman Kirsten then moved that the rate of return be 13% of net equity. He defined ~~net equity as net income, plus depreciation, plus depreciation on the ranch operation.~~⁶³ In this instance, as of March 21, 1971, net equity would total net profit of \$87,943.94, plus depreciation of \$47,138.54, plus depreciation on the ranch operation of \$2,485.35. The net equity would thus total \$137,567.83. His motion also included the following guide lines:

- a. All receipts direct and indirect flowing from assets and services of property and people associated with the company will be reflected in annual statements presented to the City Manager;
- b. All assets needed in the business shall be reflected in the balance sheet and all assets not needed should not be reflected;
- c. All liabilities should be reflected in the financial statement.

The motion was seconded by Councilman Ehrhardt.

Councilman Hughes questioned what would be the Council's alternative if the 13% return proved inadequate. Councilman Kirsten then proposed a substitute motion. He moved that the return be established at 14% of net worth, in this instance net worth totaling \$196,432.61 as of March 31, 1971, plus \$20,000 annual salary to the operator. Fourteen percent of net worth would be \$27,500.56. The substitute motion was seconded by Councilman Ehrhardt.

After some discussion, Councilman Kirsten proposed a second substitute motion. He moved that to the net worth figure of \$196,432.61 \$52,000 as an average depreciation should then be added over the next five years. The 14%

Minutes of September 8, 1971 continued

rate of return would then be applied to the total of \$248,432.61. The motion died for lack of a second.

Councilman Hughes said the entire subject was too complex to make a decision on at this time. Mr. Johnson said a one-week deferral was satisfactory. It was then moved by Councilman Hughes, Schaffer second, and unanimously passed, that the discussion be tabled for one week.

Councilman Kirsten moved, Ehrhardt second, that the City Manager present the appropriate financial statements to the City Council as soon as possible. The motion was passed unanimously.

ADMISSION DAY
METER
HOLIDAY


It was moved by Mayor Katnich, Ehrhardt second, that Admission Day, September 9, 1971, now a City holiday, be declared a parking meter holiday. Mayor Katnich explained that this was necessary because the City Code has not yet been amended to include this day as a day on which City parking meters will not be enforced.

CITY SURVEY
OF REFUSE
RATES

Councilman Hughes requested a copy of a survey Mr. Johnson had compiled of refuse rates in other cities. Mr. Johnson said he would supply a copy.

ADJOURNMENT

There being no further business, at 11:05 p.m. the meeting was adjourned on motion of Councilman Kirsten, Hughes second.


ATTEST: Thomas A. Peterson
Deputy City Clerk